



March 9, 2023

FOR ACTION

I. REQUEST

Approve: (1) An Increase in the Water Usage Rate for the Villages of Kapolei Non-Potable Water System; and (2) A Water Service Agreement to be Entered Into with Non-Potable Water System Customers

II. FACTS

- A. The Housing Community Development Corporation of Hawaii (HCDCH), the predecessor agency to the Hawaii Housing Finance and Development Corporation (HHFDC) completed construction of the Villages of Kapolei (VOK) non-potable water system in January 1999.
- B. Based on a memo dated April 6, 2000, HCDCH did not anticipate having to operate and maintain the facility after its completion. To cover operating and maintenance expenses, the HCDCH Acting Executive Director established a usage rate of \$2.00 per thousand gallons. The rate has not changed since 2000.
- C. Water from the VOK non-potable water system is used for landscape irrigation by Kapolei High School, Kapolei Middle School, and the Villages of Kapolei Association. In addition, the contractor for the Daniel K. Akaka Veterans Home is temporarily using water from the system for dust control. Average daily use from the system is approximately 137,000 gallons per day.

III. DISCUSSION

- A. The original construction cost of the VOK non-potable water system was approximately \$2,843,000. Since the system was constructed, HHFDC has expended about \$2,927,000 for operations, maintenance and repairs of the system.
- B. The current annual cost to operate and maintain the system is about \$152,000. Operating and maintenance costs are expected to increase in the coming years as the system is over 20 years old and equipment and pipelines are more prone to failure. In addition to the annual operating and maintenance costs, staff estimates that \$4,000,000 will be needed in the next 10 years to address deferred maintenance of the reservoir, pumps, and electrical system.
- C. To assist in defraying operating and maintenance costs of the VOK non-potable water system, the water usage rate is proposed to be increased from \$2.00 per thousand gallons to \$3.10 per thousand gallons. Based on a rate of \$3.10 per thousand gallons, revenue from water charges will be about \$155,000 annually. The rate of \$3.10 is slightly higher than the Honolulu Board of Water Supply's (BWS's) non-potable water rate of \$2.90 per thousand gallons, although it is possible that the BWS will be increasing its rate later this year.
- D. In December 2022, in anticipation of the rate increase, all customers of the VOK non-potable water system were provided written notice that the rate was planned to be increased to \$3.10 per thousand gallons effective April 1, 2023. No comments on the increase have been received.

- E. Staff recommends that customers of the VOK non-potable water system enter into a water service agreement with HHFDC. The agreement will set forth fees and charges and other terms of providing water service. A template of the agreement is attached as Exhibit A.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following:

- A. An increase in the water usage rate for the Kapolei non-potable water system from \$2.00 per thousand gallons to \$3.10 per thousand gallons;
- B. Authorize the HHFDC to enter to water service agreements with customers of the VOK non-potable water system in a form substantially similar to the agreement provided in Exhibit A;
- C. Authorize the Executive Director to take all actions necessary to effectuate the purposes of this For Action;

Attachments: Exhibit A – Water Service Agreement

Prepared by: Dean Minakami, Development Branch Chief



User:

Account No.

NON-POTABLE WATER SERVICE AGREEMENT

This Agreement is made this ___ day of _____, 2023, between Hawai'i Housing Finance and Development Corporation (HHFDC), a public body and a body corporate and politic of the State of Hawai'i, whose mailing address and principal place of business is 677 Queen Street, Suite 300, Honolulu HI 96813, and _____, a _____ ("User"), whose mailing address is _____.

1. Water Service

Under this Agreement, HHFDC shall sell and deliver non-potable water service to the User and the User shall receive non-potable water service from HHFDC.

a. Fees and Charges. The provision of water service under this Agreement is conditioned upon User's timely payment of all applicable fees and charges. Effective April 1, 2023 the water usage rate shall be \$3.10 per thousand gallons of usage. On July 1, 2024, and at the start of each Fiscal Year henceforth, the rate may be adjusted by the increase in the Consumer Price Index change for the Water and Sewer and Trash Collection Services expenditure category for July of the prior calendar year; provided, however, that the rates during each fiscal year shall not be less than the rates applicable during the preceding fiscal year.

b. Payment. By execution of this Agreement, User shall guarantee payment of all other rates, fees, and charges due on User's account. User acknowledges that nonpayment of amounts due to HHFDC will result in disconnection of water service to all water meters registered to User's account. If the water service is disconnected, User shall be responsible for the cost of reconnection.

c. Meter/Connection. All water delivered to the user shall be charged to the User by applicable fees and the volume of water delivered registered by meters furnished and installed by HHFDC. HHFDC shall have the right to locate a water service meter and the pipe necessary to connect the meter on the User's property at a point to be chosen by HHFDC, and shall have unobstructed access to its property and equipment located upon the User's premises at all reasonable times for any purpose connected with or in the furtherance of its business operations. Upon discontinuance of service, HHFDC shall have the right to remove any of its equipment from the User's property. The User has the right to request a calibration check of the meter. No charge will be made for meter tests if the meter is inaccurate by more than five per cent. The User will be charged with the actual cost of a meter test if the meter is accurate within a range of plus or minus five percent.

d. Inspection. HHFDC's authorized employees or designated agents shall have access to the User's property or premises and service lines and plumbing facilities at all reasonable times for the purpose of inspection.

These inspections shall be conducted by HHFDC or its designated agent: (i) prior to initiating new water service; (ii) when there is reason to believe that cross-connections or other unacceptable plumbing practices exist; (iii) after any major changes to the private plumbing facilities; or for maintenance and meter readings.

e. Plumbing Practices. HHFDC shall notify User in writing of any cross-connection or other unacceptable plumbing practices that are identified. User shall immediately correct any

EXHIBIT A

unacceptable plumbing practice on User's premises. User shall, at User's expense, properly install, test, and maintain any backflow prevention device required by HHFDC. User shall provide copies of all testing and maintenance records to HHFDC upon request.

f. Enforcement and Termination. HHFDC shall have the authority to cancel User's account and terminate service if the User fails to comply with the provisions of this Agreement, including the requirement to pay utility fees or charges when due. If HHFDC's equipment is tampered with or water is taken by means of an unauthorized connection or both, the User shall forfeit all rights and privileges under this Agreement. Any expenses associated with the enforcement of the Agreement shall be billed to and paid by the User.

2. Disclosures and Releases

a. Service Interruptions. Water service may be interrupted from time to time by equipment failures or other events beyond HHFDC's control. User shall hold HHFDC harmless from any and all claims for damages caused by service interruptions due to (i) waterline breaks by utility or like contractors, (ii) tampering by other system Users, (iii) normal failures of the system and related equipment, or (iv) other events beyond HHFDC's control.

b. Access. User shall grant to HHFDC, now or in the future, any necessary rights-of-way for the purpose of installing, maintaining, and operating pipelines, meters, valves, and any other equipment that HHFDC may deem necessary to extend or improve service for existing or future Users, on such forms as HHFDC may require.

c. Non-potable Use Only. HHFDC agrees to provide water service under this Agreement for non-potable purposes only. HHFDC does not guarantee the quality or suitability of water provided under this Agreement for any particular purpose.

Each User must sign this Agreement before HHFDC will begin service. If service to an existing connection has been suspended or terminated, HHFDC will not re-establish service unless it has a signed copy of this Agreement.

3. Severability

Each provision of this Agreement shall be interpreted in a manner as to be valid and enforceable under the laws of the State of Hawai'i. If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions of this Agreement shall remain valid and enforceable to the greatest extent possible.

4. Counterparts

This agreement may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument, binding all of the parties hereto, notwithstanding that all of the parties are not signatories to the original or the same counterparts. For all purposes, including without limitation, recordation, filing and delivery of this instrument, duplicate, unexecuted and unacknowledged pages of the counterparts may be discarded and assembled as one document.

The undersigned parties hereby agree to the terms set forth above.

APPROVED AS TO FORM

Deputy Attorney General

HAWAI'I HOUSING FINANCE AND DEVELOPMENT CORPORATION (HHFDC), a public body and a body corporate and politic of the State of Hawai'i,

By _____
Delmond J.H. Won
Its Executive Assistant

_____ (USER)

By _____

Its